



FRANCHISING GUIDE FOR VETERANS

**SELF-ASSESSMENT:
IS FRANCHISING RIGHT FOR YOU?**



**FINDING YOUR PERFECT
FRANCHISE MATCH**



IS FRANCHISING FOR ME?

3 reasons you might be a better fit than you think.

BY MONIQUE RIZER

THE IMPORTANT THING TO KNOW ABOUT FRANCHISING is that it requires the same attributes needed to run any successful business: leadership, passion and the willingness to do whatever it takes to succeed. Your franchise may come with a proven model, but you still have to run it, market it and manage it—and that takes work.

SOP INCLUDED

“The harsh reality is that most businesses won’t make it past their five-year anniversary,” said Mike Haynie, Air Force veteran, founder of the Entrepreneurship Bootcamp for Veterans with Disabilities, and assistant professor at Syracuse University, Department of Entrepreneurship and Emerging Enterprises, Whitman School of Management. “A franchise has a recognized brand, established supply channels and standardized operating procedures, but the personal qualities, skills and attitudes that a franchisee must have are the same for all entrepreneurs.”

VETS HAVE THE SKILLS

As a veteran you are a step ahead of other potential business owners in this area.

“Veterans historically have been in great demand in franchising because of their character qualities,” said John Hayes, franchise author and speaker. “They can follow orders—so they can follow a system.” →

A PREPACKAGED PLAN

Franchises usually come with a proven method of business, which is a primary difference from a non-franchised business.

On the other hand, depending on how much control you want, franchising may not be for you.


“You will also be required to adhere to the rules and requirements imposed by the parent company,” Haynie said. “For example, you probably will not have the discretion to add items to your menu, or change packaging, and in some cases even your hours of operation may be dictated by your franchise agreement. An individual considering franchising as an alternative to starting a business on their own should be aware of these important differences.”

MONEY!

Make sure you can afford it, too. Many veterans use their pensions to fund a franchise until it breaks even.

WHEN TO TAKE THE PLUNGE

If you know you have the business qualities and specific skills for the franchise you’re considering, have done your research on the franchise and are financially prepared, it’s time to act.

“The more you can prepare those close to you for these realities, the more likely you can successfully navigate the ups and downs of launching a new venture,” Haynie said. 

IS FRANCHISING RIGHT FOR YOU?

Use this checklist to determine if you are cut out to buy and operate a franchise:

- ☒ You can follow a system.
- ☒ You are willing to work long hours.
- ☒ You’ve done your research on the business.
- ☒ You know the market for your business.
- ☒ Your skills match the franchise need.
- ☒ You can afford to buy and operate the business.
- ☒ You are prepared to manage people, often younger workers.
- ☒ You’re passionate!



SELECTING YOUR FRANCHISE

One size fits all? Find the franchise that's best for you.

BY ANDREA DOWNING PECK

VALUATING THE MINDBOGGLING ARRAY OF FRANCHISING

OPPORTUNITIES is a daunting task. Franchises are available in almost all business categories imaginable—from fitness clubs to fast food outlets, dental equipment repair to doggie doo-doo cleanup, and elder care to employment services.

With an estimated 3,500 different franchise businesses in the United States, there is a concept to fit most any category.

"It gets daunting and people end up getting confused," said Bob Schmellick, a franchise consultant. "Everybody will ask me, 'What is the hottest thing out there?' I'll tell them, 'It all depends.' They will wonder why I'm toying with them, but it all depends on what you see yourself doing."

WHAT'S YOUR LIFESTYLE?

Identifying what kind of franchise would suit you best starts with self-assessment. According to Schmellick, the first step is deciding your level of involvement—passive or active—in the franchise. Lifestyle issues, namely the hours you want to work, are another deciding factor. Someone who does not want to work weekends, evenings, or holidays, for example, should not buy a convenience store or restaurant franchise. →

Cleaning service franchises such as Molly Maid and Maid to Perfection are “great lifestyle businesses” for the owners, Schmellick said, because working hours typically are 9 a.m. to 5 p.m. Monday through Friday. Operating costs are lower because no retail locations are required.

“You might say to me ‘I don’t like cleaning my own toilets. Why would I like cleaning someone else’s?’” Schmellick said. “But that has nothing to do with the business as an owner. It’s a service when you clean a person’s house. You are not looking to buy yourself a job. You are looking to build and manage a business.”

WHAT’S THE COST?

Initial investment cost also is a major consideration when selecting a franchise, as is your willingness or ability to borrow money to finance the purchase and start-up expenses.

“The days when people were literally mortgaging their homes to buy a business, whether a franchise or not, are gone,” said author Mitchell York, who wrote “Franchise: Freedom or Fantasy?” “These days you either have to have the capital to buy into a franchise or you have to find some other source of capital. There are franchises that cost a million dollars and franchises that cost \$10,000. You need to understand what universe you can play in.”

FRANCHISE DISCLOSURE DOCUMENT

Now that you’ve narrowed the field, it’s time to drill a little deeper. Purchasing a franchise means acquiring a proven business model to follow and execute, but buyers must know what questions to ask a franchisor in order to select a winning formula.

Perspective owners need to know exactly what they are buying before signing a franchise sales document. The first step is a meticulous review of the Franchise Disclosure Document (FDD), which the Federal Trade Commission requires franchise sellers provide to prospective buyers at least 10 business days before a contract is signed or money exchanges hands.

The disclosure document, which formerly was known as the Uniform Franchise Offering Circular, contains information about the franchisor ranging from the initial investment cost to the franchisor’s obligations to franchisees and the company’s financial statements. In total, 23 disclosure items are covered. →

LEARN THE TERRITORY

Understanding a franchise's territory definitions also can be a key to whether a franchise unit will fail or thrive. York said many Quiznos sub franchises failed because owners didn't realize the implications of the company's territory rules.

"When Quiznos was the really hot franchise, everyone was buying into Quiznos," York said. "They had territory definitions where you could have an exclusive in your town, but you wouldn't have the exclusive in the next town. You might have thought it's not going to be a problem and then lo and behold another store opens up a few blocks away."

DOES EVERYBODY KNOW THEIR NAME?

With hundreds of new franchises debuting each year, another factor is determining whether a concept has staying power. Investing in a new franchise concept, which typically will have lower investment costs, can be a good idea, but carries its own risks.

"If you buy a franchise that is brand new and no one has ever heard of, you take on all the risks of that franchisor potentially not being very good at what they do in terms of operations," York said. "They may have a good idea, but they haven't established any brand equity. They haven't tested their operating procedures for any length of time."

SEE FOR YOURSELF

Because franchisors cannot make earning claims outside of the information disclosed in the FDD, York said, they might be limited in their ability to give direct feedback on profit and loss projections. For that reason, York said, anyone looking to buy a franchise should "get a reality check" and spend time studying existing franchises.

"If you are going to buy a cupcake store, go into the cupcake store and count how many cupcakes get sold per hour," York said. "You can't just go in on Saturday. You have to go in on a Tuesday, and you may have to camp out there for awhile and take a lot of notes."

Before buying a franchise, a potential owner should talk to dozens of current and former franchisees to get a sense of whether the organization is financially stable, delivers on its promises and conducts itself in an ethical manner. 